STATE OF CALIFORNIA   KATHLEEN CONNELL
                                                       ___ Controller of California ___

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P.O. Box 942850
Sacramento, CA 94250-5878

DATE: April 10, 2002   PAYROLL LETTER # 02-014
                                                  CIVIL SERVICE ONLY

 TO: All Agencies in the Uniform State Payroll System

FROM: RALPH ZENTNER, Acting Chief
          Personnel/Payroll Services Division

RE: **INDUSTRIAL DISABILITY LEAVE SUPPLEMENTATION (IDL/S) CALCULATOR**

          This letter identifies a new IDL/S Calculator "Exception Condition" for the 2001 tax year, which requires manual
          calculation to compute supplementation gross and leave credit amounts. It also reiterates the IDL/S Calculator
          "Exception Conditions" applicable to all tax years.

          2001 TAX YEAR EXCEPTION CONDITION

          During 2001, the Federal annualized tax-withholding rates changed effective January 1 and July 1. In addition to
          these changes, the Federal flat tax rate decreased from 28% to 27.5% effective August 7, 2001. The IDL/S
          Calculator considers these tax rate changes and correctly computes the supplementation gross and leave credits for
          pay with issue dates of January 1 through July 31, 2001 and August 7 through December 31, 2001, by applying
          the applicable rates. However, the calculator is unable to apply the correct "Mandatory Withholding Factor" for
          pay with issue dates of August 1 through August 6, 2001, due to the mid-month flat rate change. Calculations for
          this period must be done manually. (Refer to the Payroll Procedures Manual, Section E 450 for manual
          calculation instructions.)

          IDL/S CALCULATOR EXCEPTION CONDITIONS

          The following identifies the "Exception Conditions" applicable to all tax years, where the IDL/S Calculator cannot
          be used and calculations must be done manually:

          1)   Employees who have premiums locked-in on Employment History that are not subject to retirement but are
                included in the IDL calculations.

          2)   Employees supplementing premium or shift pay that is not locked-in on Employment History.

          3)   Second half pay period for semimonthly paid employees when the gross subject to retirement for the first
                half pay period was insufficient to satisfy the full monthly retirement exclusion amount.

          4)   Employees subject to Illinois or New York state tax.

          5)   Daily salary rate employees.

          6)   Retirement Account Code LO and the employee's retirement rate is 0%.

          7)   Employees having more than one salary rate or retirement plan during the pay period.

          8)   Employees who will exceed the Social Security maximum earnings limit in the pay period.

          A PPM revision addressing the new 2001 "Exception Condition" will be forthcoming. If you have any questions
          regarding this Payroll Letter, please contact the Disability Unit Telephone Liaison at (916) 322-3619.

          RZ:DDM